新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
Stock Codes : 16 (HKD counter) and 80016 (RMB counter)

2022 / 23 Annual Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2023, excluding the effect of fair-value changes on investment properties, amounted to HK$23,885 million, compared to HK$28,729 million last year. Underlying earnings per share were HK$8.24, compared to HK$9.91 last year. The decrease was mainly due to a decline in profit generated from property sales. Nevertheless, the Group's sizeable recurring profit generated from rental portfolio and non-property businesses remained relatively stable.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$23,907 million and HK$8.25 respectively, compared to HK$25,560 million and HK$8.82 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$221 million, compared to a decrease of HK$2,902 million last year.

DIVIDEND

The directors have recommended the payment of a final dividend of HK$3.70 per share for the year ended 30 June 2023. The dividend will be payable on 16 November 2023. Together with the interim dividend of HK$1.25 per share, the dividend for the full year will be HK$4.95 per share, the same as last year, and represent about 60% of underlying profit this year. Going forward, the Group will adhere to its dividend policy and pay out 40% to 50% of its underlying profit.

BUSINESS REVIEW

Development Profit and Rental Income

Development Profit

For the year under review, profit generated from property sales reached HK$11,299 million, as compared to HK$15,847 million in the previous financial year. The Group achieved contracted sales of about HK$37,900 million in attributable terms.

Rental Income

During the year, the Group's gross rental income, including contributions from joint-ventures and associates, decreased by 2% year-on-year to HK$24,322 million, and net rental income decreased by 4% year-on-year to HK$18,461 million.

Property Business – Hong Kong

Land Bank

The Group added three commercial sites to its land bank with a total gross floor area of about 2.3 million square feet during the year. These included a commercial site in Mong Kok, which will be developed into a comprehensive commercial complex consisting of around 1.5 million square feet of floor area and housing the second tallest building in Kowloon upon completion by 2030. The design and planning of this project will soon be finalized. Located in a traditional business and shopping district, the development will enjoy a convenient transport network with direct access to Admiralty and boundary control points to Shenzhen via the nearby MTR Mong Kok East Station. Set to synergize with the Group's Grand Century Place, another complex next to the station, the project is expected to be a new commercial hub in Kowloon. The Group's commercial footprint in the area will then be expanded to about three million square feet. The three new acquisitions will be kept for long-term investment. Details of the sites are shown in the table below.

Location	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Kowloon Inland Lot No. 11273, Mong Kok	Commercial	100	1,524,000[(1)]
Artist Square Towers Project, West Kowloon Cultural District [(2)]	Office/Shops	100	699,000
Lot No. 1077 in Survey District No. 3, near Anderson Road, Kwun Tong	Shopping Centre	100	110,000
Total			**2,333,000**

[(1)] *Including the gross floor area of offices, retail portion and Government Accommodation; the development plan has yet to be finalized*
[(2)] *Under a Build-Operate-Transfer arrangement for a period of about 47 years*

As at 30 June 2023, the Group's attributable land bank in Hong Kong amounted to about 58.0 million square feet. Of these, around 36.4 million square feet were diversified completed properties, an overwhelming majority of which are for rental and long-term investment purposes, providing sizeable recurring income for the Group. Of the remaining portions, some 14.3 million square feet were residential properties under development for sale, which are scheduled for completion in phases over the next six to seven years. Of these, about 1.4 million square feet have been pre-sold. As always, the Group will adhere to its prudent financial discipline in considering land bank replenishment.

Property Development

Following a short recovery in early 2023, Hong Kong's residential market softened in recent months amid uncertainties on the global economic outlook and elevated interest rates. The primary residential market was relatively active with homebuyers preferring new large-scale projects complemented by comprehensive clubhouse facilities and good transport connectivity.

Riding on its reputable brand, attractive products and outstanding service, the Group's quality properties continued to draw interest from homebuyers. During the year, the Group's contracted sales in Hong Kong in attributable terms increased 13% year-on-year to about HK$33,400 million, close to its sales target for the year. Major contributors included NOVO LAND Phases 1A, 1B, 2A and 2B in Tuen Mun, University Hill Phases 2A and 2B near The Chinese University of Hong Kong, and Wetland Seasons Bay Phase 3 in Yuen Long as well as several completed projects such as The Cullinan adjoining ICC in West Kowloon.

Through the SHKP Club, which has served as an effective platform to facilitate two-way communication between the Group and its customers, the Group has been able to keep tabs on customer needs and market trends. In addition to providing premium products and services with a customer-centric approach, the Group has sought to integrate technological elements and natural landscapes into its projects and fulfil customers' rising aspirations for smart living and healthy lifestyles.

During the year, the Group completed some three million square feet of attributable gross floor area in Hong Kong. Of these, residential properties for sale accounted for about two million square feet with a majority of these units having been sold. Project details are shown in the table below.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
NOVO LAND Phases 1A & 1B	8 Yan Po Road, Tuen Mun	Residential	100	807,000
The YOHO Hub	1 Long Lok Road, Yuen Long	Residential	JV	734,000
Wetland Seasons Bay Phase 3	1 Wetland Park Road, Tin Shui Wai	Residential / Shops	100	243,000
St Michel Phase 2	33 To Shek Street, Sha Tin	Residential	100	174,000
KENNEDY 38	38 Belcher's Street, Kennedy Town	Residential / Shops	53	66,000
-	233 Prince Edward Road West, Ho Man Tin	Residential	58	42,000
Total				**2,066,000**

The remaining one million square feet are non-residential projects, including The Millennity in Kwun Tong and a data centre, MEGA Gateway, in Tsuen Wan which have been retained for long-term investment.

As at 30 June 2023, the Group's contracted sales not yet recognized amounted to HK$28,000 million, of which about HK$24,000 million is expected to be recognized in financial year 2023/24. Most of the related sale proceeds will be received when respective units are delivered.

Property Investment

For the year under review, the Group's property investment portfolio in Hong Kong continued to provide a sizeable recurring income to the Group. Gross rental income of the Group's well-diversified property investment portfolio, inclusive of contributions from joint ventures and associates, increased 1% year-on-year to HK$17,738 million while overall occupancy remained satisfactory.

Following the full reopening of the border and lifting of all social-distancing measures, the Group's malls showed improvements in both footfall and tenant sales with average occupancy staying at a healthy level of 95% during the year. Leveraging its extensive footprint and The Point, the Group's integrated loyalty programme, the Group extended its customer base with the introduction of a cross-boundary reward scheme for consumers spending at its malls in Hong Kong and Guangzhou.

The Point has proved to be a crucial strategy in stimulating continuous spending growth by local shoppers and the return of repeat customers. The Group also enhanced its quality services to cater for the rising trend of using EVs. The Group is installing more super-fast EV chargers at its major malls to promote a wider use of EVs, allowing The Point members to use the bonus points they earned upon spending at the malls to redeem an Electric Vehicle Super Charging service. This service is the first of its kind in Hong Kong when it was launched in June 2023.

Members can also enjoy a Contactless Parking service at over 50 designated Wilson Parking car parks, on top of having such experience at the Group's malls.

Maintaining close relationships with tenants and customers has enabled the Group's leasing team to keep tabs on market trends and make swift adjustments to cater for evolving spending preferences of customers. In addition, the Group regularly renovated its malls and upgraded their open spaces to boost comfort and freshness. The rebranded wwwtc mall underneath the World Trade Centre in Causeway Bay has become a new focal point, assembling luxury brands and popular restaurants since its phased openings in early 2023. Outdoor spaces at various major malls such as Tsuen Wan Plaza have been refurbished to allow for more amusement facilities and outdoor activities.

The operating environment of the Hong Kong office market remains challenging though leasing enquiries have shown signs of improvement following the full border reopening in February 2023. By differentiating itself through high green-building standards, superior building quality, professional management services, and long-term relationships with tenants, the Group's office portfolio registered a satisfactory average occupancy of about 92% during the year. Apart from aiming to obtain Leadership in Energy and Environmental Design (LEED) Gold or Platinum ratings for its new major commercial projects, the Group continues to upgrade green-building standards of its major existing properties. Both One IFC and the Group's headquarters Sun Hung Kai Centre attained LEED Platinum certifications during the year.

Supported by their prime locations and comprehensive amenities, IFC was almost fully let as it remained the best office address for international financial institutions and mainland corporations while occupancy of ICC remained at a satisfactory level. Despite keen competition in the area, the Millennium City office cluster registered a satisfactory level of overall occupancy during the year. This, together with The Millennity office towers at the 98 How Ming Street Development, will help uplift the role of Kowloon East as one of the key business hubs in the city.

To meet the growing accommodation needs of local young professionals and incoming talents, the Group will introduce a new project, TOWNPLACE WEST KOWLOON, with a brand-new concept of combining apartment experience and modern accommodation service. Adjacent to the Group's V Walk mall and MTR Nam Cheong Station, the 374,000-square-foot project will provide premium accommodation with diverse facilities and easy transportation as it is only two MTR stops away from Airport Express Kowloon Station and the High Speed Rail West Kowloon Terminus. Boasting a panoramic view of Victoria Harbour, the project sits next to a waterfront promenade, offering a spacious open space for a wide range of outdoor activities. Scheduled to commence operation in the fourth quarter of 2023, it will also offer premium service, smart-home designs and a wide range of socializing activities, providing a quality living experience.

The flagship YOHO Mall in Yuen Long will be further enlarged by 107,000 square feet of retail space upon the scheduled opening of its extension YOHO MIX in the first half of 2024. The extension will increase offerings at YOHO Mall, cementing its role as the largest shopping and entertainment destination in northwest New Territories. Scheduled to open in 2024, the shopping mall of some 500,000 square feet underneath The Millennity in Kwun Tong will feature lush and leisurely retail space, generating synergy with the Group's APM mall in the area.

The Group's recurring income base will be further enlarged over the medium-to-long term, with the completion of the High Speed Rail West Kowloon Terminus Development and the Artist Square Towers Project in West Kowloon. Upon their full completion in 2026, these two projects will join the Group's completed ICC and two luxury hotels, forming a unique commercial cluster in Hong Kong with an aggregate premium grade A office space of about 5.7 million square feet. Planned to be an alternative for tenants in Central CBD, the cluster will host a rich mix of business, retail and entertainment options with unrivalled transport connectivity to the Greater Bay Area (GBA) via the High Speed Rail.

Set to be one of the most sustainable and environmentally-friendly buildings in the world, the High Speed Rail West Kowloon Terminus Development is targeted to obtain six major green and WELL building certifications, and has deployed a smart energy-efficient technology system. The project will be linked to the West Kowloon Art Park in the adjacent West Kowloon Cultural District and the mature community in Jordan via the 1.5-kilometre-long West Kowloon Parkway and its extensive footbridge network. Boasting convenient transport connectivity and ample green open space, the development was able to make its office space available to global financial institution UBS as the first anchor tenant.

Property Business – Mainland

Land Bank

As at 30 June 2023, the Group's total attributable land bank on the mainland stood at about 67.5 million square feet, of which about 47.1 million square feet were properties under development. The remaining 20.4 million square feet were completed properties, an overwhelming majority of which were large-scale mixed-use developments situated in strategic locations in major cities held for rental and long-term investment purposes. The Group will continue with its highly selective investment approach, focusing on prime locations in first-tier and leading second-tier cities on the mainland.

Property Development

During the year under review, the Group achieved attributable contracted sales of about RMB4,000 million on the mainland amid a softened residential market. Main contributors included the first two phases of the residential units at joint-venture development Hangzhou IFC in Hangzhou and residential units of other joint-venture projects such as Oriental Bund in Foshan and JOVOTOWN in Chengdu. In August 2023, the Group launched the third phase of the residential units at Hangzhou IFC with an overwhelming response.

The Group completed an attributable gross floor area of about 5.9 million square feet on the mainland during the year, of which about 2.8 million square feet were residential properties, namely Oriental Bund in Foshan and Grand Waterfront in Dongguan, with a majority of these units having been sold. The remaining three million square feet were properties held for rental and long-term investments, including Tower A of Three ITC in Xujiahui, Shanghai and the upscale Nanjing IFC Mall.

Property Investment

During the year, gross rental income derived from the mainland, including contributions from joint-venture projects, declined by 4% year-on-year to RMB5,215 million, affected by the lingering impact of the pandemic and rental concessions.

The Group's premium property investment portfolio on the mainland mainly comprises large-scale integrated projects in strategic locations with excellent connectivity, providing a sizeable recurring income stream. Its retail portfolio, situated in prime locations across major cities on the mainland, distinguished itself by well-defined market positioning, impeccable services and innovative promotional activities. In the first half of 2023, attributed to its luxury positioning and extraordinary shopper experience, Shanghai IFC Mall in Pudong, Shanghai stood out, with its tenant sales rebounding. Its occupancy also remained at a high level. Other premium malls in the Group's portfolio also performed well during the year.

Apart from proactive trade-and-tenant mix refinement, the Group carried out asset enhancement projects to increase the attractiveness of the portfolio. Parc Central, the Group's joint-venture mall in Guangzhou, recently opened a new pedestrian subway connecting the mall to a metro station. Nanjing IFC Mall has a new facade with a specially designed canopy-covered entrance to give a facelift in the area. The upper zone of the mall housing mainly restaurants and cafes has opened, and the remaining portion will commence operation in late 2023. Following the opening of the Andaz Nanjing Hexi hotel in April 2023, the entire Nanjing IFC, covering a total gross floor area of 3.4 million square feet, has been completed and is set to be a new focal point in Hexi, the second CBD in the city.

Notwithstanding a challenging office leasing market on the mainland, the Group's grade-A offices at Shanghai IFC, Shanghai ICC and the first two phases of ITC achieved satisfactory occupancies during the year. The Group has endeavoured to incorporate green building elements in the development of its major commercial projects. In addition to Shanghai IFC, Shanghai ICC and Shanghai Central Plaza, Beijing APM Office Tower received LEED certification during the year.

Looking ahead, the Group's footprint on the mainland will grow with the completion of its major developments in phases. In Shanghai, the construction of the remaining part of Three ITC, which includes a 370-metre-tall Tower B office skyscraper, a flagship mega mall, and the Andaz Shanghai ITC hotel, is in full swing. With its core being topped out, Tower B of Three ITC will become one of the tallest buildings in Puxi, providing world-class green workspace upon completion in late 2024. The mega mall, ITC Maison, will boast a wide selection of well-known global brands, offering a combination of luxury and leisure attractions when it opens in phases from 2025 onwards.

Guangzhou South Station ICC is a TOD project adjoining the busiest Guangzhou South Railway Station with 12 rail lines, including high-speed rail. To be developed in phases, the project will serve as one of the business, living and transportation hubs in the GBA upon completion. Echoing Hangzhou's transformation to a digital economy, Hangzhou IFC, the Group's joint-venture project located on the waterfront of Qianjiang New City, the CBD in Hangzhou, incorporates green and smart technology in design and building solutions, helping to facilitate the development of Hangzhou as a city of innovation and vitality.

Other Businesses

Hotels

During the year, Hong Kong's hospitality market continued to recover amid the gradual reopening of the border and the return of foreign and mainland visitors. With an improved operating environment, the Group's hotel portfolio in Hong Kong recorded operating profit.

The hotel management team has increasingly utilized smart technology and robots to enhance operational efficiency and to relieve the workload of frontline staff. With an encouraging membership take-up, Go Royal by SHKP has recruited more than 100,000 members for its Royal hotels. The programme has also joined hands with the Group's The Point to bring in new members and offers additional privileges to The Point members.

During the year, The Ritz-Carlton Shanghai, Pudong showed notable improvement, mainly driven by a recovery in domestic travel. Andaz Nanjing Hexi at Nanjing IFC began operation in April 2023. Four Seasons Hotel Suzhou, in which the Group owns a 90% interest, is scheduled to open in late 2023.

Telecommunications and Information Technology

SmarTone

During the year under review, the business of SmarTone remained stable. The company has seen a gradual recovery of roaming revenues since the beginning of 2023. There is also a continuous conversion of customers to 5G subscribers, reaching 37% penetration. Nevertheless, competition remains intense with heavy pressure on price. Operating expenses also increased, driven by higher costs of labour, electricity and other operating items. Against this difficult operating environment and the high spectrum fee paid to the Government, the company focuses on investing in a world-class 5G network and enhancing customer service. Multiple journals have confirmed that SmarTone delivers the fastest download speed in MTR stations.

SmarTone has strengthened its position as the leader in the 5G Home Broadband market, with a strong growth in uptake among households with no fibre access. The company has also attained early success in its enterprise solutions business. The Group remains confident about SmarTone's prospects and will continue to hold the company as a long-term investment. The Group will also leverage SmarTone as its telecommunication technology arm for the adoption of technology that can further improve the Group-wide customer experience.

SUNeVision

During the year under review, demand for SUNeVision's data centres remained strong, and SUNeVision continued to exhibit growth in revenue and profit, driven by continued digitalization across businesses and consumers. The company has witnessed both multinationals and mainland companies increase their demand for Hong Kong's capacity in anticipation of future growth, demonstrating that Hong Kong continues to be seen as a critical data hub in Asia. The recent emergence of generative AI has seen a stepped-up demand for data-centre power and capacity in the United States and Europe, and there are signs that this will be coming to Asia soon.

Looking ahead, there are uncertainties and headwinds that need to be managed, even though the pipeline of the company is strong. Costs including labour, construction and interest have been increasing significantly recently. In addition, the substantial new supply of data-centre facilities in Tsuen Wan and Kwai Chung could also weigh on pricing. To mitigate such risks, the company has taken the approach of building out its new data centres in phases. The first phase of over 500,000 square feet of MEGA IDC, the company's flagship project in Tseung Kwan O which has attracted strong interest from potential customers with unrivalled infrastructure and connectivity, will be completed by early 2024. The company will build out other phases of the facility based on demand and commitments. Such an approach not only has the benefit of conserving capex, but will also allow the company to tailor development for future customer requirements.

SUNeVision won the Judicial Review case against the Hong Kong Science and Technology Parks Corporation (HKSTP). This relates to the suspected widespread unauthorized subletting among data-centre operators within the industrial estates under HKSTP's management. The company asks that HKSTP to immediately require the directors of all tenants to sign a declaration that confirms no breaches. This will close the loophole for all future rent-seeking opportunities by unscrupulous tenants at the Tseung Kwan O Industrial Estate. It is important for HKSTP to rectify the situation quickly as this is critical for the long-term development of Hong Kong's innovation sector.

Infrastructure and Other Businesses

During the year, the Group's infrastructure and transport businesses recorded mixed performance. Wilson Group recorded improved performance in the light of local economic revival and traffic flow at Route 3 (CPS) started to pick up following the resumption of cross-border travel. With a growth in demand for charter flights after the border fully reopened, The Hong Kong Business Aviation Centre registered a recovery in business activities. The Airport Freight Forwarding Centre continued to play a major role in supporting logistics players to deliver time-sensitive cargoes. The company's performance was inevitably affected by lower cargo throughput amid global economic uncertainties. The River Trade Terminal recorded a drop in throughput with the weakening of global demand from the United States and Europe. Nevertheless, the company has taken stringent cost-control measures to maintain operational efficiency and profitability.

YATA has built an established reputation, particularly in the supermarket industry. Over the next year, the company will launch a major revamp in phases to further improve its product selection, product quality and customer service, starting with its flagship store in Sha Tin. The company aspires to be the best in Hong Kong in terms of offerings and shopping experience, and will work very closely with the Group's malls to drive traffic and uplift overall customer experience.

Corporate Finance

Financial sustainability with healthy gearing, abundant liquidity and balanced debt repayment schedules has been a consistent cornerstone of the Group's prudent financial policies. On the back of its sizeable recurring income and strict financial discipline, the Group is well-prepared to ride out the economic headwinds. This also allowed it to be recognized as one of the top-rated property companies in Hong Kong. Both Moody's and S&P have reaffirmed their respective credit ratings of A1 and A+ with stable outlooks for the Group.

Thanks to tremendous support from the banking community, the Group arranged its largest-ever HK$27,500 million 5-year syndicated loan in May 2023. Meanwhile, new Renminbi loans were also concluded with strong support from mainland banks to fund the Group's projects on the mainland, despite the continuously challenging property market.

During the year, the Group issued a HK$500 million 3-year bond, USD70 million 3-year bond, and a CNH200 million 10-year bond. The Group also issued on the mainland its first CNY2,000 million commercial mortgage-backed securities with a view to diversifying its financing tools and channels. Additionally, the Group has since July 2023 issued three 5-year CNH bonds and two 2-year CNH bonds with a total issue size of CNH1,500 million.

The additional borrowings in Renminbi help achieve a better alignment of the Group's Renminbi-denominated assets and liabilities. Additionally, the interest rates for Renminbi financing are currently more favourable, offering an opportunity for the Group to reduce its overall cost of borrowing. Also, the Group will continue to fund the construction capital expenditure of its projects on the mainland with onshore Renminbi loans. As at the end of June 2023, about 42% of the Group's total borrowings were either HKD fixed-rate debts or denominated in Renminbi.

Adhering to its established financial discipline, the Group has not executed any speculative derivative or structured-product transactions. All the Group's US dollar borrowings have also been hedged through cross-currency swaps.

CORPORATE GOVERNANCE

A commitment to high standards of corporate governance to safeguard all stakeholders' interests is one of the cornerstones of the long-term and sustainable growth of the Group's businesses. The Board of Directors oversees the Group's overall strategies and business directions. With a strong presence of independent members, the Board consists of 20 members with a diversity in backgrounds, professional and business experience, and gender that suits the Group's strategies, governance and businesses. Except for the Executive Committee that supports the Board for making decisions on key issues, all other Board Committees are chaired by INEDs and served by Non-Executive Directors with a majority of their members being INEDs. In addition, the Board is supported by a crisis management taskforce for handling major ad hoc matters.

The Group's dedication to corporate governance and creating long-term value for all stakeholders has been recognized by internationally renowned financial publications over the years. During the year under review, the Group won the Best Overall Developer in Hong Kong by *Euromoney* and was chosen as the Most Outstanding Company in Hong Kong – Real Estate Sector by *Asiamoney*.

SUSTAINABLE DEVELOPMENT

The Group continued to enhance its ESG standards and practices to achieve sustainability and create long-term value for stakeholders. During the year, the Group was listed in the S&P Global Sustainability Yearbook 2023. Other industry recognitions included the Group's ranking as one of the top three companies in the Hang Seng Corporate Sustainability Index for four consecutive years, and a constituent member of the FTSE4Good Index Series since 2018.

Environment

The Group is on track to meet its 10-year environmental targets for climate resilience and building a cleaner city. In addition to adopting eco-friendly designs, the Group has leveraged latest green building technologies to reduce emissions and waste at its construction sites. During the year, the Group collaborated with a local university to carry out research on green building measures, contributing to Hong Kong's evolution to a smart and carbon-neutral city. A company set up by the Group's construction arm also developed innovative solutions to enhance construction processes.

The Group remains committed to obtaining LEED Gold or Platinum ratings for its major commercial properties under development. For residential projects, NOVO LAND is the first residential development in Hong Kong to obtain three internationally recognized certifications for healthy buildings.

As part of the Group's initiatives to comply with international standards for increasing disclosure of climate-related risks and opportunities, the Group commissioned third-party consultants to deal with its reporting in accordance with Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and to conduct a study of its scope 3 emissions (specific indirect emissions). The Group is also building one of the largest solar-energy generation networks in Hong Kong to promote energy transformation. A key part of this includes the Group's joint effort with partners to build Hong Kong's first solar farm on a landfill site in Tseung Kwan O.

While there has been a substantial ramp-up in electric cars over the past two years, many drivers find it challenging given limited availability of public chargers, most of which being slow chargers. To help solve the problem, the Group is in the process of installing super-fast EV chargers in all of its major malls throughout Hong Kong by mid-2024. Drivers can also use The Point bonus points to redeem the service.

Social

With a commitment to giving back to society, the Group has continued to leverage its resources to improve people's livelihoods and help address some of the prevailing social problems in Hong Kong. During the year, the Group lent a site in Yuen Long to the HKSAR Government to build light public housing units, becoming one of the first developers to join this large-scale social project. To support the Government's initiative of importing construction workers, the Group extended the rent-free lease for another plot of land in Yuen Long for putting up centralized living quarters for the imported workers.

The Group participated in the Government's Strive and Rise Programme, to support personal development of underprivileged junior secondary students in Hong Kong. It also participated in the Scheme on Corporate Summer Internship on the Mainland and Overseas 2023, placing tertiary-education level students in different positions on the mainland. Operated by the Group for not-for-profit purposes, Noah's Ark Hong Kong hosted a large-scale charity event for the underprivileged to promote social inclusion. The SHKP-Kwoks' Foundation continued its wide range of scholarships with mostly mainland universities, benefitting over 70,000 people since its establishment in 2002.

The Group has supported STEM education in Hong Kong through the SHKP Reading Club. As a core initiative, the Club co-organized the second Future Engineer Grand Challenge in 2023, inviting primary and secondary school students to unleash their creativity in the application of science and technology in daily life. The Club also sponsored a social enterprise to publish a pictorial book presenting Hong Kong's historical, cultural and STEM developments since the return to the motherland, distributed to all local kindergartens for free.

With Hong Kong's return to normalcy, the Group's signature sports-for-good event, the Sun Hung Kai Properties Hong Kong Cyclothon, made a comeback in December 2022 as the biggest outdoor sporting event of the year, contributing to Hong Kong's development as a centre for international sporting events.

PROSPECTS

The global economy is still confronted by a host of challenges, including continuing geopolitical risks, mounting trade friction and notable inflation in the West. The slack demand is also expected to further dampen international trade. Although interest rates for most advanced economies may prevail at high levels for a while, elevated interest rates should cool inflation while the current rate-hike cycle may be nearing its end.

The mainland economy is facing difficulties arising from a grim and complex external environment, insufficient domestic demand and supply-demand issues in the real estate market. In view of the challenges, apart from implementing a proactive fiscal policy and a prudent monetary policy on a continuous basis, the Central Government has adjusted housing policies and launched more initiatives to promote employment and expand consumption.
A number of factors such as an uncertain global economic outlook may affect the pace of economic recovery in Hong Kong. Nevertheless, a series of government initiatives, including talent pooling and labour importation, are expected to enhance the city's overall capacity and competitiveness. The good progress in attracting strategic enterprises will also bring in capital and talents. Such favourable factors are expected to support housing demand in Hong Kong. These, together with dedicated efforts in the development of Hong Kong as an international centre of innovation and technology, are likely to give a fresh impetus to the city's growth. Sustainable economic growth should bode well for the property market.

As always, the Group will adhere to its selective approach and prudent financial discipline in its land bank replenishment and strictly control its capital expenditure. With the aim of generating continuous cash flows, the Group will launch new projects for sale when ready and step up the sales of unsold completed units and non-core properties. For the rest of financial year 2023/24, new residential projects on offer in Hong Kong will include YOHO WEST, the first phase of Tin Wing Station Development, in Yuen Long, The YOHO Hub II in Yuen Long, the third phase of NOVO LAND in Tuen Mun, the first phases of Cullinan Sky and Cullinan Harbour in Kai Tak as well as a joint-venture project on Prince Edward Road West in Ho Man Tin. On the mainland, the Group is planning to launch a new phase of Shanghai Arch in Shanghai and new batches of joint-venture developments such as Hangzhou IFC and Oriental Bund in Foshan.

The Group continues to invest in order to boost the competitiveness of its property investment portfolio. Aside from expanding its green building portfolio and upgrading its properties on a regular basis, the Group will continue to make use of innovative technology and digital initiatives to enhance property and service quality, adding value for both tenants and customers.

Over the next two to three years, the Group's recurrent income base should expand further as new investment properties come on stream. In Hong Kong, TOWNPLACE WEST KOWLOON will commence business from the fourth quarter of 2023. The extension of YOHO Mall in Yuen Long and the shopping mall underneath The Millennity in Kwun Tong are scheduled to open in 2024. On the mainland, the last phase of ITC in Shanghai is slated for completion in late 2024. These projects will gradually contribute to the Group's recurring income. Over medium-to-long term, major integrated projects such as the High Speed Rail West Kowloon Terminus Development in Hong Kong will contribute to the growth of recurring income upon their completions.

Under the auspices of 'One Country, Two Systems', Hong Kong enjoys a sound common law system and low tax regime. With the strong support of the motherland, Hong Kong has established a close connection with the world. Such a competitive edge, together with the achievements of the Belt & Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area Development, will enable Hong Kong to give full play to its role as 'eight centres', such as an international financial and trade centre as well as a centre for innovation and technology. The Group has full confidence in the prospects of the mainland and Hong Kong and will continue to invest in the territory as well as major mainland cities.

Over the years, the Group's commitment to developing quality buildings and services in the spirit of Building Homes with Hearts has earned it a strong reputation. With great emphasis on stakeholder engagement, the Group has built a close long-term relationship with customers and tenants, enabling it to respond swiftly and move with the times. The Group's sizeable property investment portfolio and non-property businesses have generated a stable and substantial recurring income. These, together with its strong financial position, have allowed the Group to demonstrate strong resilience in navigating through shocks and challenges. With a wealth of experience in weathering various cycles of the city over the past 50 years, the management team is well-prepared to lead the Group to overcome upcoming challenges. In the years ahead, the Group will, as always, observe its prudent financial principles and maintain a focused strategy to achieve sustainable growth. In addition to creating more premium properties to meet people's desire for green and healthy living, the Group will continue to leverage its resources to build a better society.

DIRECTORS AND APPRECIATION

Mr. Wu Xiang-dong, an Independent Non-Executive Director of the Company, will retire at the annual general meeting. I would like to thank him for his valuable contribution to the Group during his tenure of service.

I would like to take this opportunity to express my appreciation to our staff for their diligence and contribution. Their high level of dedication and professionalism is always our key to success and honours our commitment to quality. My gratitude also goes to my fellow directors for their guidance, and our shareholders and customers for their continued support.

Kwok Ping-luen, Raymond
Chairman & Managing Director
Hong Kong, 7 September 2023

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following audited consolidated figures for the Group for the year ended 30 June 2023 with comparative figures for 2022:

Consolidated Income Statement
For the year ended 30 June 2023
(Expressed in millions of Hong Kong dollars)

	Notes	2023	2022
Revenue	**2**	**71,195**	77,747
Cost of sales		**(36,737)**	(37,906)
Gross profit		**34,458**	39,841
Other net income		**411**	601
Selling and marketing expenses		**(4,179)**	(4,047)
Administrative expenses		**(3,145)**	(3,033)
Operating profit	**2**	**27,545**	33,362
Change in fair value of investment properties		**(593)**	(2,619)
Finance costs		**(3,053)**	(2,116)
Finance income		**554**	369
Net finance costs	**3**	**(2,499)**	(1,747)
Share of results of:			
Associates		**738**	214
Joint ventures		**3,331**	2,576
	2	**4,069**	2,790
Profit before taxation	**4**	**28,522**	31,786
Taxation	**5**	**(3,947)**	(5,655)
Profit for the year		**24,575**	26,131
Profit for the year attributable to:			
Company's shareholders		**23,907**	25,560
Non-controlling interests		**668**	571
		24,575	26,131
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**6(a)**		
Basic and diluted		**$8.25**	$8.82
Earnings per share excluding the effect of change in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic and diluted		**$8.24**	$9.91

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2023
(Expressed in millions of Hong Kong dollars)

	2023	2022
Profit for the year	**24,575**	26,131
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland subsidiaries		
- exchange difference arising during the year	**(7,675)**	(2,570)
- exchange gains released on disposal of subsidiaries	**-**	(229)
	(7,675)	(2,799)
Cash flow hedge		
- fair value (losses)/gains recognized directly through other comprehensive income	**(400)**	627
- fair value gains transferred to consolidated income statement	**(87)**	(110)
	(487)	517
Debt securities		
- fair value losses recognized directly through other comprehensive income	**(2)**	(25)
- fair value gains transferred to consolidated income statement	**-**	(6)
	(2)	(31)
Share of other comprehensive loss of associates and joint ventures	**(1,764)**	(941)
Items that will not be reclassified to profit or loss:		
Fair value losses of equity securities at fair value through other comprehensive income	**(211)**	(56)
Revaluation of property, plant and equipment upon transfer to investment properties	**605**	49
Share of other comprehensive (loss)/income of an associate	**(38)**	157
Other comprehensive loss for the year	**(9,572)**	(3,104)
Total comprehensive income for the year	**15,003**	23,027
Total comprehensive income for the year attributable to:		
Company's shareholders	**14,448**	22,483
Non-controlling interests	**555**	544
	15,003	23,027

Consolidated Statement of Financial Position
As at 30 June 2023
(Expressed in millions of Hong Kong dollars)

	Notes	2023	2022
Non-current assets			
Investment properties	**8**	**403,559**	398,729
Property, plant and equipment		**47,168**	44,955
Associates		**7,715**	7,171
Joint ventures		**93,639**	94,221
Financial investments		**1,991**	3,030
Intangible assets		**5,079**	5,815
Other non-current assets		**4,057**	3,996
		563,208	557,917
Current assets			
Properties for sale		**211,639**	207,136
Inventories		**497**	478
Trade and other receivables	**9**	**14,757**	21,015
Financial investments		**610**	698
Bank deposits and cash		**15,280**	20,323
		242,783	249,650
Current liabilities			
Bank and other borrowings		**(7,508)**	(15,857)
Trade and other payables	**10**	**(32,288)**	(30,204)
Deposits received on sales of properties		**(4,162)**	(3,039)
Current tax payable		**(9,456)**	(13,276)
		(53,414)	(62,376)
Net current assets		**189,369**	187,274
Total assets less current liabilities		**752,577**	745,191
Non-current liabilities			
Bank and other borrowings		**(117,545)**	(109,074)
Deferred tax liabilities		**(23,910)**	(25,533)
Other non-current liabilities		**(4,326)**	(3,840)
		(145,781)	(138,447)
NET ASSETS		**606,796**	606,744
CAPITAL AND RESERVES			
Share capital		**70,703**	70,703
Reserves		**531,352**	531,243
Shareholders' equity		**602,055**	601,946
Non-controlling interests		**4,741**	4,798
TOTAL EQUITY		**606,796**	606,744

Notes to the Consolidated Financial Statements
(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation

The financial information relating to the years ended 30 June 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2022 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended 30 June 2023 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards and interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value.

In the current year, the Group has adopted a number of amendments to HKFRSs issued by the HKICPA that are effective for the first time for the Group's financial year beginning 1 July 2022. None of these amendments had a material impact on the Group's financial statements.

The Group has not applied any new standard or amendment that is not effective for the current year.

(Expressed in millions of Hong Kong dollars)

2. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and change in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

(a) Segment revenue and results

An analysis of the revenue and results for the year of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

For the year ended 30 June 2023

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	23,853	8,467	13	7	23,866	8,474
Mainland	2,330	1,175	2,920	1,650	5,250	2,825
	26,183	9,642	2,933	1,657	29,116	11,299
Property rental						
Hong Kong	14,996	11,081	2,742	2,168	17,738	13,249
Mainland	4,751	3,859	1,092	789	5,843	4,648
Singapore	-	-	741	564	741	564
	19,747	14,940	4,575	3,521	24,322	18,461
Hotel operations	3,504	74	711	87	4,215	161
Telecommunications	6,763	702	-	-	6,763	702
Transport infrastructure and logistics	4,276	1,239	3,623	348	7,899	1,587
Data centre operations	2,346	1,171	-	-	2,346	1,171
Other businesses	8,376	1,255	344	53	8,720	1,308
Segment total	71,195	29,023	12,186	5,666	83,381	34,689
Other net income		411		53		464
Unallocated administrative expenses		(1,889)		-		(1,889)
Operating profit		27,545		5,719		33,264
Change in fair value of investment properties						
Hong Kong		(231)		317		86
Mainland		(362)		61		(301)
Singapore		-		36		36
		(593)		414		(179)
Net finance costs		(2,499)		(587)		(3,086)
Profit before taxation		24,453		5,546		29,999
Taxation						
- Group		(3,947)		-		(3,947)
- Associates		-		(10)		(10)
- Joint ventures		-		(1,467)		(1,467)
Profit for the year		20,506		4,069		24,575

(Expressed in millions of Hong Kong dollars)

For the year ended 30 June 2022

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	32,841	14,806	37	26	32,878	14,832
Mainland	471	195	2,054	820	2,525	1,015
	33,312	15,001	2,091	846	35,403	15,847
Property rental						
Hong Kong	14,826	11,029	2,725	2,178	17,551	13,207
Mainland	5,612	4,795	963	720	6,575	5,515
Singapore	-	-	684	528	684	528
	20,438	15,824	4,372	3,426	24,810	19,250
Hotel operations	2,651	(343)	420	(86)	3,071	(429)
Telecommunications	6,957	744	-	-	6,957	744
Transport infrastructure and logistics	3,825	1,054	3,311	161	7,136	1,215
Data centre operations	2,086	1,044	-	-	2,086	1,044
Other businesses	8,478	1,271	399	68	8,877	1,339
Segment total	77,747	34,595	10,593	4,415	88,340	39,010
Other net income		601		50		651
Unallocated administrative expenses		(1,834)		-		(1,834)
Operating profit		33,362		4,465		37,827
Change in fair value of investment properties						
Hong Kong		(3,472)		(982)		(4,454)
Mainland		853		203		1,056
Singapore		-		448		448
		(2,619)		(331)		(2,950)
Net finance costs		(1,747)		(262)		(2,009)
Profit before taxation		28,996		3,872		32,868
Taxation						
- Group		(5,655)		-		(5,655)
- Associates		-		4		4
- Joint ventures		-		(1,086)		(1,086)
Profit for the year		23,341		2,790		26,131

Results from property sales include selling and marketing expenses of HK$576 million (2022: HK$418 million) and HK$111 million (2022: HK$173 million) that relate to pre-sale of property projects under construction in Hong Kong and Mainland, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

Other net income includes mainly net gain on disposal of investment properties, net investment income from financial assets and gain on disposal of subsidiaries.

(Expressed in millions of Hong Kong dollars)

(b) Geographical information

An analysis of the Group's revenue by geographical area of principal markets is as follows:

	2023	2022
Hong Kong	**63,512**	70,865
Mainland	**7,428**	6,378
Others	**255**	504
	71,195	77,747

3. Net Finance Costs

	2023	2022
Interest and other finance costs on bank and other borrowings	**4,521**	2,886
Notional non-cash interest accretion	**70**	58
Finance costs on lease liabilities	**44**	29
Less : Amount capitalized	**(1,582)**	(857)
	3,053	2,116
Interest income on bank deposits	**(554)**	(369)
	2,499	1,747

(Expressed in millions of Hong Kong dollars)

4. Profit before Taxation

	2023	2022
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**14,236**	16,049
Cost of other inventories sold	**3,364**	3,764
Depreciation of property, plant and equipment	**2,888**	2,926
Amortization of		
Intangible assets (included in cost of sales)	**736**	693
Contract acquisition costs	**1,141**	1,378
Credit loss allowance on financial assets and contract assets	**346**	180
Lease expenses		
Short-term and low-value assets leases	**224**	243
Variable lease payments	**43**	48
Staff costs (including directors' emoluments and retirement schemes contributions)	**10,193**	9,278
Share-based payments	**20**	28
Auditors' remuneration	**29**	25
Loss on disposal of financial investments at fair value through profit or loss	**61**	169
Fair value losses on financial investments at fair value through profit or loss	**85**	-
Loss on disposal of property, plant and equipment	**10**	15
and crediting:		
Dividend income from investments	**110**	139
Interest income from investments	**72**	88
Fair value gains on financial investments at fair value through profit or loss	**-**	34

(Expressed in millions of Hong Kong dollars)

5. Taxation

	2023	2022
Current tax expenses		
Hong Kong profits tax	**2,718**	4,035
Under/(over) provision in prior years	**34**	(12)
	2,752	4,023
Tax outside Hong Kong	**1,214**	1,224
Over provision in prior years	**(28)**	(3)
	1,186	1,221
Total current tax	**3,938**	5,244
Deferred tax expenses		
Change in fair value of investment properties	**(432)**	(73)
Other origination and reversal of temporary differences	**441**	484
Total deferred tax	**9**	411
Total income tax expenses	**3,947**	5,655

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong, which includes Mainland land appreciation tax and withholding tax on income distributions, is calculated at the rates applicable in the relevant jurisdictions.

6. Earnings per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$23,907 million (2022: HK$25,560 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,897,780,274 (2022: 2,897,780,274) shares.

Diluted earnings per share were the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

(Expressed in millions of Hong Kong dollars)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$23,885 million (2022: HK$28,729 million), which excluded the net effect of change in the valuation of investment properties. A reconciliation of profit is as follows:

	2023	2022
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**23,907**	25,560
Decrease/(increase) in fair value of investment properties		
Subsidiaries	**593**	2,619
Associates	**(491)**	(58)
Joint ventures	**77**	389
	179	2,950
Effect of corresponding deferred tax expenses		
Subsidiaries	**(432)**	(73)
Joint ventures	**22**	27
Non-controlling interests	**10**	(2)
Unrealized fair value (gains)/losses of investment properties net of deferred tax	**(221)**	2,902
Fair value gains of investment properties net of deferred tax realized on disposal	**199**	267
Net effect of change in fair value of investment properties	**(22)**	3,169
Underlying profit attributable to the Company's shareholders	**23,885**	28,729

(Expressed in millions of Hong Kong dollars)

7. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2023	2022
Interim dividend declared and paid of HK$1.25 (2022: HK$1.25) per share	**3,622**	3,622
Final dividend proposed after the end of the reporting period of HK$3.70 (2022: HK$3.70) per share	**10,722**	10,722
	14,344	14,344

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2023	2022
Final dividend in respect of the previous financial year, approved and paid during the year of HK$3.70 (2021: HK$3.70) per share	**10,722**	10,722

8. Investment Properties

(a) Movement during the year

	Completed	**Under development**	**Total**
Valuation			
At 1 July 2022	**329,556**	**69,173**	**398,729**
Additions	**924**	**13,114**	**14,038**
Transfer upon completion	**13,343**	**(13,343)**	**-**
Transfer from property, plant and equipment	**942**	**-**	**942**
Disposals	**(207)**	**-**	**(207)**
Transfer to property, plant and equipment	**(161)**	**-**	**(161)**
Exchange difference	**(5,873)**	**(3,316)**	**(9,189)**
Decrease in fair value	**(537)**	**(56)**	**(593)**
At 30 June 2023	**337,987**	**65,572**	**403,559**

(Expressed in millions of Hong Kong dollars)

(b) The Group's investment properties were valued at their fair values at 30 June 2023 and 30 June 2022 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies and reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted is derived by making reference to the yields achieved from analysis of comparable property investment transactions and valuer's view of prevailing investor expectations regarding rental growth and perceived risks.

The Group's investment properties under development are valued using the residual method by estimating the value of the property when completed using income capitalization method with reference to comparable sales transactions assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below is the significant unobservable inputs used for fair value measurements:

	Fair value		**Weighted average capitalization rate**	
	2023	2022	**2023**	2022
Completed				
Hong Kong	**263,266**	257,947	**5.1%**	5.1%
Mainland	**74,721**	71,609	**6.6%**	6.6%
	337,987	329,556		

	Fair value (residual method)		**Capitalization rate**	
	2023	2022	**2023**	2022
Under development				
Hong Kong	**33,151**	27,308	**3.0%-5.5%**	3.0%-5.5%
Mainland	**32,421**	41,865	**5.0%-8.8%**	5.0%-8.8%
	65,572	69,173		

9. Trade and Other Receivables

Included in trade and other receivables of the Group are trade receivables of HK$3,818 million (2022: HK$8,744 million), of which 65% (2022: 83%) are aged less than 30 days, 14% (2022: 8%) between 31 to 60 days, 6% (2022: 4%) between 61 to 90 days and 15% (2022: 5%) more than 90 days.

10. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of HK$3,259 million (2022: HK$3,237 million), of which 66% (2022: 65%) are aged less than 30 days, 7% (2022: 7%) between 31 to 60 days, 4% (2022: 5%) between 61 to 90 days and 23% (2022: 23%) more than 90 days.

FINANCIAL REVIEW

Review of Results for FY2022/23

Underlying profit attributable to the Company's shareholders for the year was HK$23,885 million, decreased by 17% or HK$4,844 million compared with HK$28,729 million for the previous year. The decrease was mainly due to lower property development profit from Hong Kong.

Including the net effect of revaluation changes on investment properties, the Company reported an attributable profit to shareholders of HK$23,907 million, representing a decrease of HK$1,653 million or 7% compared with HK$25,560 million for the previous year.

	2023	2022
	HK$ Million	*HK$ Million*
Segment revenue (including share of joint ventures and associates)	**83,381**	88,340
Segment operating profit (including share of joint ventures and associates)	**34,689**	39,010
Underlying profit attributable to Company's shareholders	**23,885**	28,729
Adjustment for net revaluation movements on investment properties		
Net revaluation gain/(loss)	**221**	(2,902)
Valuation gains realized on disposal	**(199)**	(267)
Net effect	**22**	(3,169)
Profit attributable to Company's shareholders	**23,907**	25,560

Revenue and Operating profit/(loss) by segment for the year ended 30 June (including share of joint ventures and associates)

	Revenue		Operating profit/(loss)	
	2023	2022	**2023**	2022
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Property sales				
Hong Kong	**23,866**	32,878	**8,474**	14,832
Mainland	**5,250**	2,525	**2,825**	1,015
	29,116	35,403	**11,299**	15,847
Property rental				
Hong Kong	**17,738**	17,551	**13,249**	13,207
Mainland	**5,843**	6,575	**4,648**	5,515
Singapore	**741**	684	**564**	528
	24,322	24,810	**18,461**	19,250
Hotel operations	**4,215**	3,071	**161**	(429)
Telecommunications	**6,763**	6,957	**702**	744
Transport infrastructure and logistics	**7,899**	7,136	**1,587**	1,215
Data centre operations	**2,346**	2,086	**1,171**	1,044
Other businesses	**8,720**	8,877	**1,308**	1,339
Segment total	**83,381**	88,340	**34,689**	39,010

Total revenue and operating profit of the Group's business segments (including share of joint ventures and associates) for the year decreased by 6% to HK$83,381 million and 11% to HK$34,689 million, respectively.

Revenue from property sales (including share of joint ventures) in Hong Kong decreased by 27% to HK$23,866 million. Sales completions of residential units was significantly lower compared with the previous year, and was mainly derived from sales of residential units in NOVO LAND Phases 1A and 1B, The YOHO Hub Phase 1, Wetland Seasons Bay Phase 3, St Michel Phase 2 and KENNEDY 38. Development profit decreased by 43% or HK$6,358 million to HK$8,474 million, reflecting lower sales completions and profit margin. Blended profit margin was 36% compared with 45% for the previous year.

Revenue from property sales (including share of joint ventures) on the Mainland increased by 108% to HK$5,250 million, mainly driven by higher sales completions. Development profit increased by 178% to HK$2,825 million. The contributions were mainly attributable to sales of residential units in Oriental Bund Phase 4C, Grand Waterfront Phase 3 and Jovo Town Phase 3A.

As at 30 June 2023, contracted property sales attributable to the Group (including share of joint ventures) not yet recognized amounted to HK$32.4 billion, comprising HK$28 billion in Hong Kong, of which about HK$24 billion is expected to be recognized in the next financial year, and HK$4.4 billion on the Mainland.

Rental revenue of property investment in Hong Kong, including share of joint ventures and associates, increased by 1% to HK$17,738 million with net rental income increased marginally to HK$13,249 million. The increase in revenue was mainly due to increased contribution from the retail portfolio, more than offsetting the lower contribution from the office portfolio. The retail portfolio delivered an increase of 2% in revenue to HK$9,055 million, driven mainly by continued improvement in tenant sales in the first half of 2023, while the office portfolio recorded a modest revenue drop of 2% to HK$6,205 million due to negative rental reversions.

Rental revenue and net rental income of the Mainland portfolio, including share of joint ventures, decreased by 11% and 16% in Hong Kong dollar terms to HK$5,843 million and HK$4,648 million, respectively. Excluding the impact of Renminbi ("RMB") depreciation, rental revenue was down by 4% to RMB5,215 million compared with RMB5,433 million for the previous year. The decrease was primarily due to rent relief granted to the retail tenants that were affected by the business closure during April and May last year. Rental revenue from retail portfolio before rent relief stayed almost the same as that of the previous year, while the office portfolio recorded a mild revenue drop of 2% in RMB terms.

Hotel (including share of joint ventures) delivered a revenue increase of 37% to HK$4,215 million and generated an operating profit of HK$161 million (after depreciation charge of HK$646 million) against an operating loss of HK$429 million for the previous year. Both room sales and food and beverage revenue recorded strong recovery with the lifting of quarantine measures and full border reopening in February 2023. An average occupancy rate of 73% was achieved for the Group's hotels in Hong Kong during the year.

SmarTone reported a revenue of HK$6,763 million, decreased by 3% and operating profit of HK$702 million, down by 6%. The decrease was due to drop in handset sales. Service revenue remained stable with higher revenue from roaming services, notably the outbound roaming.

Transport infrastructure and logistics (including share of joint ventures and associates) reported a revenue growth of 11% to HK$7,899 million with operating profit increased by 31% to HK$1,587 million, driven mainly by improved performance in business aviation centre operations, Wilson Group, toll road and franchised bus business following the relaxation of social distancing and travel restrictions.

SUNeVision's revenue and operating profit grew by 12% to HK$2,346 million and HK$1,171 million, respectively, due to continued demand for data centre services driven by increased digitalization across business and consumers.

The Group's other businesses (including share of joint ventures and associates), include mainly property management, department store operations and financial services. Financial performance for the year was fairly stable, generating a revenue and operating profit of HK$8,720 million and HK$1,308 million, respectively.

Fair Value Change of Investment Properties

Investment properties were carried at fair values based on independent valuation as at 30 June 2023.

The Group recorded an unrealized loss of HK$593 million (2022: loss of HK$2,619 million) arising from revaluation of investment properties held by its subsidiaries and shared a revaluation gain of HK$414 million (2022: loss of HK$331 million) on revaluation of investment properties held by its joint ventures and associates. There was a net unrealized revaluation gain of HK$221 million (2022: loss of HK$2,902 million) attributable to the Company's shareholders, after accounting for the effect of the related deferred taxation and non-controlling interests.

Financial Management

The Group continues to adopt a disciplined approach in financial management by maintaining a strong balance sheet and a diversified base of funding sources with sufficient financial resources to support operations and business growth. The Group constantly reviews its capital structure and financial position to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

The entire Group's financing risk management, financing and treasury activities are centrally managed and controlled at the corporate level.

Gearing Ratio

The Group's balance sheet remains strong. Shareholders' equity was HK$602.1 billion or HK$207.8 per share as at 30 June 2023 compared with HK$601.9 billion as at 30 June 2022. The increase was driven by profit attributable to the shareholders of HK$23.9 billion, offset by dividends of HK$14.3 billion paid during the year and foreign exchange loss of HK$9.3 billion, resulting from year-end translation of financial statements of the Mainland and overseas operations.

As at 30 June 2023, the Group's net debt amounted to HK$109,773 million (30 June 2022: HK$104,608 million). Gearing ratio as at 30 June 2023, calculated on the basis of net debt to shareholders' equity of the Company, was 18.2% compared to 17.4% as at 30 June 2022. The increase was largely due to capital expenditures in both Mainland and Hong Kong.

Finance Costs and Interest Cover

For the year ended 30 June 2023, net finance costs including capitalized interest increased by HK$1,477 million to HK$4,081 million, reflecting higher average effective cost of borrowings, which went up to 3.3% (2022: 2.2%), mainly due to rising HIBOR rates. Net finance costs charged to the income statement (after interest capitalized) increased by HK$752 million to HK$2,499 million.

Interest cover for the year was 6.8 times (2022: 12.8 times), measured by the ratio of operating profit to total net interest expenses including those capitalized.

The average effective interest rate of the Group's borrowings for the year ended 30 June 2023 is analyzed as follows:

	Year ended 30 June	
	2023	2022
Fixed rate	**2.8%**	3.0%
Floating rate	**3.6%**	1.7%
Weighted average interest rate	**3.3%**	2.2%

Debt Maturity Profile and Composition

As at 30 June 2023, the Group's gross borrowings totalled HK$125,053 million, of which 78% were raised through its wholly-owned finance subsidiaries and the remaining 22% through operating subsidiaries.

The maturity profile of the Group's gross borrowings is set out as follows:

	At 30 June 2023		At 30 June 2022	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Repayable:				
Within one year	**7,508**	**6%**	15,857	13%
After one year but within two years	**31,999**	**26%**	26,505	21%
After two years but within five years	**57,595**	**46%**	49,426	40%
After five years	**27,951**	**22%**	33,143	26%
Total bank and other borrowings	**125,053**	**100%**	124,931	100%
Bank deposits and cash	**15,280**		20,323	
Net debt	**109,773**		104,608	

The Group's debt maturity profile was well staggered with around 68% of the borrowings repayable after two years. The weighted average duration of the entire debt portfolio was approximately 3.5 years as at 30 June 2023.

Composition of the Group's debt portfolio is as follows:

(i) By currency (after currency swap)

	At 30 June 2023		At 30 June 2022	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Hong Kong dollar	**105,861**	**85%**	98,875	79%
RMB	**17,565**	**14%**	20,721	17%
US dollar	**-**	**-**	3,770	3%
British pound	**1,627**	**1%**	1,565	1%
Total borrowings	**125,053**	**100%**	124,931	100%

When feasible, the Group will borrow on the same currency as the underlying assets or hedge through cross currency swaps for exchange risk exposure. At 30 June 2023, about 14% of the Group's total borrowings were denominated in RMB to act as natural hedges of net investments in the Mainland.

(ii) By fixed or floating interest (after interest rate swap)

	At 30 June 2023		At 30 June 2022	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Fixed	**37,197**	**30%**	44,458	36%
Floating				
- Hong Kong dollar	**71,031**	**57%**	61,112	49%
- RMB	**15,198**	**12%**	17,796	14%
- British pound	**1,627**	**1%**	1,565	1%
Total borrowings	**125,053**	**100%**	124,931	100%

The Group's fixed-rate borrowings mainly consist of medium-term notes and a RMB2,000 million commercial mortgage-backed securities issued on the Mainland in September 2022.

Financial Resources

The Group's strong financial strength enables it to raise long-term financing from various sources at competitive rates. As part of its prudent debt management policy, the Group has always secured substantial amount of undrawn committed banking facilities, most of which are arranged on a medium to long term basis with a well-balanced maturity profile, to help minimize refinancing risk and attain financing flexibility, while optimizing financing cost. The Group closely monitors its liquidity and financing requirements to ensure that available financial resources are in place to cover its financing needs.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

Foreign Exchange Rate Risk Management

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollar, which is the Group's presentation currency.

The Group is exposed to currency translation risk arising from translating the financial statements of subsidiaries and joint ventures operating in the Mainland. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in RMB as natural hedges to minimize the Group's exposure to exchange rate risk. As at 30 June 2023, approximately 20% of the Group's net assets were denominated in RMB. Compared with 30 June 2022, RMB depreciated against Hong Kong dollar by 8%. The translation of these RMB assets into Hong Kong dollar at the exchange rate as of 30 June 2023 resulted in a translation loss of approximately HK$9.4 billion (2022: loss of HK$3.2 billion), recognized in the exchange reserve.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into foreign exchange contracts to reduce the currency risk.

Derivative Instruments

As at 30 June 2023, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$17,959 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for hedging the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

Bank Deposits and Cash

As at 30 June 2023, the Group's bank deposits and cash amounted to HK$15,280 million, of which 46% were denominated in Hong Kong dollar, 47% in RMB, and the remaining 7% mostly in US dollar. The RMB deposits were mostly held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

All deposits are placed with banks carrying strong credit ratings with appropriate credit limits assigned relative to their credit strength, and are regularly monitored for exposures to each financial counterparty.

Charges of Assets

As at 30 June 2023, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$46 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$2,898 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 30 June 2023, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$2,072 million (30 June 2022: HK$2,394 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2023, the Group employed more than 40,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$14,164 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. Share option and share award schemes have also been adopted by certain subsidiaries of the Company to provide appropriate long-term incentive to the key staff of the Group. Details of the share option and share award schemes of the Group are set out in the section headed "Share Option and Share Award Schemes" of the annual report of the Company.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are also in place for the Executive Directors.

DIVIDEND

The Board of Directors of the Company (the "Board") has decided to recommend the payment of a final dividend of HK$3.70 per share (2022: HK$3.70 per share) for the year ended 30 June 2023. Including the interim dividend of HK$1.25 per share paid on 16 March 2023, the total dividend for the year ended 30 June 2023 amounts to HK$4.95 per share (2022: HK$4.95 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2023 Annual General Meeting"), will be payable in cash on Thursday, 16 November 2023 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 8 November 2023. Shares of the Company will be traded ex-dividend as from Monday, 6 November 2023.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting will be held on Thursday, 2 November 2023 and the Notice of the 2023 Annual General Meeting will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(1) The record date for ascertaining Shareholders' entitlement to attend and vote at the 2023 Annual General Meeting will be Thursday, 2 November 2023. The register of members of the Company will be closed from Monday, 30 October 2023 to Thursday, 2 November 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration not later than 4:30 p.m. on Friday, 27 October 2023.

(2) The record date for ascertaining Shareholders' entitlement to the proposed final dividend will be Wednesday, 8 November 2023, during which the register of members of the Company will be closed and no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, Shareholders must lodge the Share Transfer Documents for registration not later than 4:30 p.m. on Tuesday, 7 November 2023.

(3) The Share Transfer Documents shall be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE

The annual results for the year ended 30 June 2023 have been reviewed by the Audit and Risk Management Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2023, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision C.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are two Non-Executive Directors and eight Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

ANNUAL REPORT

The 2022/23 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders before the end of October 2023.

By order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 7 September 2023

As at the date hereof, the Board comprises ten Executive Directors, being KWOK Ping-luen, Raymond (Chairman and Managing Director)(KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), KWOK Kai-fai, Adam, KWOK Kai-wang, Christopher, TUNG Chi-ho, Eric, FUNG Yuk-lun, Allen, LAU Tak-yeung, Albert, FUNG Sau-yim, Maureen and CHAN Hong-ki, Robert; two Non-Executive Directors, being KWAN Cheuk-yin, William and KWOK Kai-chun, Geoffrey; and eight Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG KO May-yee, Margaret, FAN Hung-ling, Henry and WU Xiang-dong.